

Budget, 1978

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Budget Actions Needed
Immediately after January 20, 1977

9
/

December 10, 1976

BUDGET ACTIONS NEEDED IMMEDIATELY AFTER
JANUARY 20, 1977

Two factors suggest that President Carter should submit his revisions of the 1978 budget to the Congress by February 15, 1977. First, he has made a commitment to do so and, second, the timing of the congressional budget process is such (Tab A) that the Carter budget for fiscal year 1978 should be submitted by around February 15 if it is to have maximum influence on the outcome of the congressional budget process. The following discussion assumes that President Carter will aim for a February 15 transmittal. As will be seen, the schedule required to make a February 15 transmittal is very tight. It would be very desirable, if agreement can be reached with the Congress, to transmit the revisions at least a few days later than February 15.

There are 26 days (including Saturdays and Sundays) between January 20 and February 15, and at least three of these days will be needed for proofing and printing the approved budget document. This extreme shortage of time conditions the nature of the decisions that can be made, and makes it essential that actions that must be taken to assure timely transmittal of the Carter budget be planned and carried out on schedule.

These actions are:

1. Decide upon a fiscal policy within the context of an overall economic policy for calendar years 1977 and 1978 -- and taking into account President Carter's fiscal objectives for fiscal year 1979 and later years.
2. Decide upon the economic assumptions needed to make estimates of receipts and major outlays.
(Tab B.)
3. Decide upon tax policy and receipts estimates.
(Tab C.)
4. Decide upon broad program levels and outlay totals.

5. Reach agreement with the Congress on what the Congress will accept on February 15, and what it will accept later, as the appropriate documentation to support the new President's budget proposals.
6. If all of the information needs of the Congress cannot be met in the three weeks that will be available after January 20, develop (and reach agreement with the Congress on) a phased plan for providing limited data within the scope of the February 15 report, with more extensive backup to follow.
7. Decide upon the allocation of the budget totals among their various parts (i.e., agencies and programs), which -- in turn -- requires determining:
 - (a) the degree of participation by agencies (presumably, the maximum consistent with the time available). With a February 15 deadline, it might be necessary to limit this participation to discussions with Cabinet officers, major agency heads, and their immediate staff. (In this connection, it would be very useful for all Carter Administration appointees to departments and major agencies to familiarize themselves as quickly and as thoroughly as they can with the recent budgets and the November current services estimates for their departments and agencies.)
 - (b) guidelines (e.g., specific dollar targets) for the agencies, to set limits on what they should request; and
 - (c) whether to support or withdraw, in whole or in part, the rescissions and deferrals that will be pending before the Congress.
8. Prepare, on the schedule agreed upon by the Congress, the documentation (e.g., the budget supplementals, amendments, rescission and deferral messages, and computer data tapes) needed to support the February 15 budget.

This supporting information must be at account-level detail -- or finer.

9. Draft, revise, and obtain clearance of the document that will be President Carter's budget. A suggested outline of such a document is shown at Tab D.

The fifth and eighth points are prerequisite to timely review by the Congress of the new President's recommendations. The seventh through ninth points pertain to the major part of the budget preparation process in the executive branch. These points are the main focuses of the remainder of this memorandum.

The Setting

The situation that the new Administration will face is as follows. The Ford budget will include:

- specific appropriations requests, along with proposed statutory language, for programs under existing substantive law; and
- proposals to modify existing substantive law or to enact new laws (both of which are identified in the budget as "proposed for later transmittal").

The budget will also include a list of budget restraint proposals from measured current services levels. In addition, OMB staff will be tracking all deviations -- both restraint and additions. This will permit a calculation of budget totals that are roughly comparable to current services estimates.

Rules of the Game

Under a long-standing interpretation of the Budget and Accounting Act, the appropriations requests and related proposed statutory language included in a President's budget can be modified only by Presidential transmittal of revised appropriation language. (Tab E.) Appropriation requests and the language supporting them are presented in account-level detail. Similarly, except for routine release of deferred funds, withdrawal or modification of proposed

rescissions and deferrals (Tab F) that are pending before the Congress requires formal Presidential action, viz., formal transmittal of a supplementary rescission or deferral message. Here, too, account-level detail is required.

On the other hand, proposals to modify substantive law or to enact new laws could be withdrawn by ignoring them or by specifically rejecting them in the new, abbreviated budget submission to the Congress. (Tab G.) Proposals for new laws (and changes in proposals to modify substantive law) could also be made by outlining them in the abbreviated budget submission -- with proposed specific legislative language (and 5-year projections of estimated budget authority and outlays) to be submitted at a later date.

Supporting Data

Under requirements stemming from the Congressional Budget Act of 1974, the Congress insists upon having both appropriation requests and substantive legislation proposals supported by rather extensive accounting detail, generally at well below the account level. OMB is already being pressed by the Congressional Budget Office for access to detail on the Ford budget earlier than January 17, the date on which that budget is scheduled to be transmitted. (The information is needed to permit the President's budget request to be distributed among the legislative committees and the appropriations subcommittees.)

Supporting data for Carter's February 15 budget cannot be provided on February 15 in the detail that normally accompanies the President's budget in January unless the new President agrees with most of the Ford budget. It is critically important, therefore, that an understanding be reached between the President-elect (and his immediate staff) and the congressional leadership (including the Chairmen of the Appropriations and Budget Committees) on what will be acceptable. Staff consultations involving the Transition Team, OMB, the Congressional Budget Office, and the Appropriations and Budget Committees would be a useful complement.

Agency Participation

Ideally, the translation of a President's overall budget policy into program decisions would involve virtually every major policy official in the Government. Institutional procedures have been established for assuring that the views of each agency head on that agency's budget request are communicated to the President when he makes his budget decisions and, conversely, that agency policy officials and staff, and members of the Congress have a clear understanding of what the President's position is on executive branch appropriations requests. These procedures work well, but they are time consuming -- so much so, in fact, that it is doubtful that they can be completed if the February 15 transmittal date is to be met.

Serious risks are inherent in the shortcuts that must be taken to make this transmittal date. For example, if the Carter budget is not specified at a low level of detail, there will be an inclination on the part of agencies, interest groups, and the Congress to attribute Presidential support to their preferred initiatives. As a result, unless the Presidential imprimatur is established firmly on budget detail, the 1978 budget totals may tend to creep upward beyond the intended level. (Here is where the new congressional budget procedures are likely to be a valued ally of the President.)

Moreover, the House and Senate Appropriations Committees will begin overview hearings on the 1978 budget in the last week of January. Agency hearings before those Committees will begin shortly thereafter. Decisions on the Carter budget must somehow involve at least Cabinet and major agency participation so as to gain their understanding and support of the budget, and to provide a basis for the budget justifications required by the Appropriations Committees. Support in general will be uncertain and problematic if detailed budget decisions are not made in conjunction with the Cabinet and agency heads.

Nonetheless, the short time available for preparing the revised budget will limit seriously the terms on which agencies can participate in the decision process. Specifically, giving agencies unconstrained freedom to propose revisions in their budgets is inconsistent with transmitting a revised budget on February 15; their budget requests could not go through even a hurried Presidential review process in time. For this reason, ground rules

(i.e., restraints) under which agency recommendations are to be submitted will have to be developed. Possible guidelines include: (a) specific dollar targets for each major agency, and (b) zero change from agency base amount determined by deciding which Ford proposals are not acceptable, but the development of final ground rules may not be possible until after the Ford budget is available.

One way to approach this task would be to concentrate on the deviations from current services levels in the Ford budget. The President, the OMB Director, and the Cabinet and major agency heads could decide:

- those reductions or increases they wish to agree to;
- those they wished to restore (or decrease) to a current services level; or
- those cases deserving special treatment, either because neither the proposed level nor the current services level is deemed appropriate, or because the new Administration wishes to propose new programs or new reductions not included in the Ford budget.

As a practical matter, the third category should be held to a minimum for a February 15 presentation.

Next Steps

As is suggested above, the February 15 transmittal date means that, unless there are only minor changes or a limited number of changes from the Ford budget, the document that is submitted then will have to be a summary version, with supporting detail to follow. A schedule consistent with this approach, and with a March 15 completion date for transmittal of the supporting detail, is shown at Tab H.

Clearly, any decisions that can be made by the President-elect and his designees before January 20 will ease the crunch that will follow January 20. This is particularly true for the decisions concerning economic assumptions, receipts estimates, and major programs. Even when all the decisions have been made, there will remain the time-consuming task of translating them into the words and figures required under the congressional budget process.

A

December 10, 1976

Tab A

KEY DATES IN THE CONGRESSIONAL BUDGET PROCESS
FOR FISCAL YEAR 1978

The key dates of the congressional budget process during the first six months of calendar year 1977 are:

The Congress receives the Ford budget..... January 17

Appropriations/Budget Committees' overview
hearings..... late January

Appropriations Committees begin agency
hearings..... early February

The Congress receives the Carter budget
proposals..... February 15

The Congress receives the detailed
supporting documentation for the Carter
budget..... March 15

Appropriations Committees and substantive
committees report to Budget Committees
on recommended spending levels..... March 15

Congressional Budget Office submits report
to Budget Committees on fiscal policy
and national budget priorities..... April 1

Budget Committees hold hearings..... March 15-April 15

Budget Committees report first concurrent
resolution on the budget for 1978 to
their respective Houses..... April 15

Legislative committees report bills on
new budget authority..... May 15

The Congress completes action on the
first concurrent resolution..... May 15

Appropriations Committees report bills..... early June

The congressional budget process places significant constraints upon both the timing and format of a Carter budget for fiscal year 1978. The work on the first concurrent resolution for 1978 begins in the Appropriations and legislative committees soon after the Congress convenes. These committees prepare reports to be submitted to the House and Senate Budget Committees by March 15 identifying specific funding decisions under consideration for 1978. In addition, the Congressional Budget Office is required to submit by April 1 a report on fiscal policies and national budget priorities for the budget year. The report takes into account proposals included in the President's budget. It, together with the committee reports, was intended to be a major resource for the Budget Committees in their formulation of the first concurrent resolution. Actually, April 1 proved to be much too late. Last year, the formal report by CBO was dated March 15, and earlier versions were made available to the Budget Committees.

If the Carter budget is to have its maximum influence upon this initial stage of the process, the budget proposals must reach the Congress by February 15. While it is arguable that Administration proposals need not be reflected in the committee reports to be considered in later deliberations on the first concurrent resolution, they will have less influence if they are not available for consideration by the committees before these reports are filed. Administration proposals must reach the Congress by mid-March at the very latest if the transition budget is to have significant impact upon Budget Committee hearings. These hearings are the key point in formulation of the first concurrent resolution.

Remaining Congressional Review of the 1977 Budget

Although the congressional budget process does not identify specific dates for further review of 1977, the 94th Congress adjourned without acting upon certain 1977 issues -- including Temporary Employment Assistance, higher education, health programs funding, and 1977 pay supplementals. In a spring supplemental, the Congress will be relating later action on these issues to the Second Concurrent Resolution for 1977.

While the main focus of attention now is on the fiscal year 1978 budget, the Carter proposals might suggest changes in budget authority, outlays, or receipts for fiscal year

1977 that, if accepted by the Congress, would put budget authority, outlay, or revenue totals out of line with the second concurrent resolution targets. In this event, the Congress would be required to pass a third concurrent resolution for 1977 before action would be taken on the spring supplemental appropriations bill. (Of course, the Congress could independently choose to breach the second resolution totals and pass a third resolution.)

The timing for transmittal of Carter revisions in the budget is, therefore, even more critical with respect to fiscal year 1977 than to fiscal year 1978. The Congress can begin a substantive review of the fiscal year 1977 budget upon its return -- two weeks before the Ford budget for 1978 is submitted. Moreover, it could choose to take appropriate action on the third 1977 resolution before completing action on 1978, thus giving Appropriations Committees the go-ahead on the spring supplemental. A worsening of the economic outlook over the next several months might prompt immediate congressional consideration of revisions to the Second Concurrent Resolution for 1977. In fact, as indicated in OMB's recently-issued current services estimates and in CBO Director Rivlin's recent testimony before the House Budget Committee, the probability that the receipts estimates contained in the Second Concurrent Resolution for fiscal year 1977 are \$5 billion to \$10 billion too high may require that the Second Concurrent Resolution be amended.

B

December 10, 1976

Tab B

ECONOMIC ASSUMPTIONS

Economic assumptions significantly affect the budget outlook. Thus, the first priority in developing revised estimates for a Carter Administration budget should be to establish an economic forecast consistent with President-elect Carter's fiscal policy and reflecting the views of his economic advisors. This process should be completed before January 20.

Under the system that is currently in effect, the Administration's assumptions are developed by first asking CEA, Treasury, and OMB staff (known collectively as "Troika 3") to forecast the economic outlook consistent with the fiscal policy assumptions provided by the policy-level officials. This forecast is then reviewed at the Assistant Secretary level (Troika 2). It is then reviewed by the Economic Policy Board, which makes recommendations to the President for his consideration. (In the Kennedy and Johnson Administrations, the Director of OMB, the Chairman of the Council of Economic Advisers, and the Secretary of the Treasury -- Troika 1 -- reviewed the Troika 2 economic assumptions and made recommendations to the President.)

A staff forecast generally requires at least 2 full days. The time required for the policy review depends upon the complexity or uncertainty of the outlook, the degree to which policy officials wish to review the staff work, and the priority the review is accorded.

The forecast in the Ford budget will extend for 2 years, through calendar year 1978.

For calendar years 1979-1982, the economic assumptions shown in the Ford budget will not be forecasts of probable economic conditions but, rather, assumptions consistent with moving toward a relatively stable price level and a higher level of employment. These are used for the longer-range budget projections for fiscal years 1979-1982.

SENSITIVITY OF THE BUDGET TO ECONOMIC ASSUMPTIONS
(fiscal years; in billions of dollars)

	1978			1979		
	<u>Outlays</u>	<u>Receipts</u>	<u>Deficit</u>	<u>Outlays</u>	<u>Receipts</u>	<u>Deficit</u>
Effect of one percentage point higher annual rate of real growth beginning:						
First quarter of CY 1977.....	-1.5	+6.0	-7.5	-3.0	+12.0	-15.0
First quarter of CY 1978.....	-0.5	+1.5	-2.0	-1.5	+7.0	-8.5
Effect of one percentage point higher annual rate of inflation beginning <u>1/</u> :						
First quarter of CY 1977.....	+1.0	+6.0	-5.0	+2.5	+11.5	-9.0
First quarter of CY 1978.....	*	+1.5	-1.5	+1.0	+6.5	-5.5

1/ Excludes the effect of higher inflation on interest rates of discretionary programs.

* Less than \$50 million.

NOTE: If the annual rate of inflation or real growth were lower rather than higher by one percentage point, the changes in outlays and receipts would be of the opposite sign, but of similar magnitude to the figures shown above.



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Tab C

TAX POLICY AND BUDGET RECEIPTS

- President Carter presumably will not propose extensive tax reform in the 1978 budget that he submits on February 15. (During the course of the campaign he indicated that it would take at least a year to develop such proposals.) This presumption needs to be confirmed or corrected as soon as possible. The discussion that follows assumes it to be correct.
- Revising the January budget receipt estimates will be far less complicated than revising the outlay estimates. The following are three possible adjustments:
 - (1) Change some, if not all, Ford Administration tax proposals. Relative to outlays, the number of tax proposals is likely to be small. Although they may involve large sums, it will be fairly simple to calculate the effect on the budget if a proposal is deleted in its entirety.
 - (2) Decide on specific tax initiatives that President Carter would like to include in his 1978 budget. Such proposals, including those that would become effective in calendar year 1977, should be staffed out before January 21, and developed in the context of a review of economic assumptions.
 - (3) Economic assumptions will have a significant effect on the receipts estimates. Once the economic assumptions have been developed, Treasury staff should be asked to develop receipts estimates consistent with them. Treasury can usually generate revised estimates within about 48 hours.



Tab D

SUGGESTED OUTLINE OF FEBRUARY 15 BUDGET REVISION

The budget document transmitted by President Carter on about February 15 might consist of an introduction and four parts, as follows:

Introduction: Nature of the Budget Revision

A brief introduction would explain that:

- The congressional budget process requires extremely rapid response from new President to Ford budget.
- Only major policy issues could be addressed in the time available.
- Summary of major changes recommended by the Carter Administration.

Part I: Message of the President

- Budget overview and philosophical base.
- Total changes from Ford budget due to:
 - . revised fiscal outlook and Carter fiscal policy; and
 - . revised program recommendations.
- Major tax proposals.
- Major spending proposals.
- Future agenda, e.g.: (??)
 - . tax reform; (?)
 - . reorganization; (?)
 - . multi-year budgeting; and (?)
 - . possible initiatives (e.g., health insurance, welfare reform). (?)

Part II: Current Economic Outlook and Policies

- Economic assumptions.
- Carter fiscal policy.

Part III: Receipts

- Aspects of Ford program accepted or rejected.
- Changes proposed by Carter Administration. (?)
- Schedule for tax reform. (?)

Part IV: Outlays by Function

- National defense.
- International affairs.
- General science, space, and technology.
- Natural resources, environment, and energy.
- Agriculture.
- Commerce and transportation.
- Community and regional development.
- Education, training, employment, and social services.
- Health.
- Income security.
- Veterans benefits and services.
- Law enforcement and justice.
- General government.
- Revenue sharing and general purpose fiscal assistance.
- Interest.
- Allowances.
- Undistributed offsetting receipts.

The following is a sample table for this section:

600: INCOME SECURITY
(fiscal years; in millions of dollars)

Subfunction and Major Program	1976 Actual	1977		1978	
		Ford request	Carter request	Ford request	Carter request
General retirement and disability insurance:					
Social security (OASDI).....	72,664				
\$50 Bonus.....	17				
Railroad retirement.....	3,475				
Special benefits for disabled coal miners..	1,012				
Miscellaneous trust funds.....	3				
Subtotal.....	77,172				
Federal employee retirement and disability....	8,174				
Unemployment insurance.....	19,452				
Public assistance and other income supplements:					
Supplemental security income.....	5,060				
Maintenance assistance.....	5,849				
Housing assistance.....	2,497				
Food stamps.....	5,775				
School lunch and other nutrition.....	2,184				
Earned income credit.....	808				
Refugee aid and other.....	439				
Subtotal.....	22,612				
Deductions for offsetting receipts.....	-1				
Total.....	127,409				
	=====	=====	=====	=====	=====

Part V: Supplementary Information and Summary Tables

- Budget authority by function, subfunction, and major program (computer generated).
- Budget authority and outlays by agency.
- Budget financing and the debt.
- Federal transactions in the national income accounts.



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Tab E

CHANGING PENDING APPROPRIATIONS REQUESTS

Two sections of the Budget and Accounting Act of 1921 establish the legal requirements for changes to pending appropriations:

- Section 201 contains the requirement that the President (no one else) transmit the initial budget request, and requires that certain information be provided in a form determined by the President.
- Section 203(a) authorizes the President to make changes in the budget that are necessary on account of laws enacted after transmittal of the budget or that are otherwise in the public interest. Change proposals are to be accompanied by a statement of the reasons for change.

Procedures have evolved to meet these legal requirements. Brief -- but technically precise -- formats are used to transmit to the Congress Presidential requests for changes to specific appropriation accounts. Additional technical information and justifications supporting the brief Presidential transmission are provided by the agencies directly to the Appropriations Committees. More recently, the Congressional Budget Office has also obtained technical information. The information flow that has developed over the years meets the requirements of the Executive Office of the President, the executive agencies, and the various arms of the Congress dealing with appropriations matters, by providing the information necessary to allow a precise understanding by each participant of the President's position on a given request. At the same time, necessary supporting technical information for congressional review is also made available. The flow is generally understood and accepted by the parties concerned, and the substantive issues of appropriations requests can be dealt with without process and format considerations intruding.



RESCISSIONS AND DEFERRALS

Legal Requirements

The Impoundment Control Act of 1974 (31 U.S.C. 1400-1407) and the Antideficiency Act (31 U.S.C. 665) are the general legal authorities for rescissions and deferrals.

- Rescissions.--Under the Antideficiency Act (section 3679(c)(2) of the Revised Statutes, as amended) reserves may be established in apportioning an appropriation to effect savings whenever savings are made possible by or through changes in requirements or greater efficiency of operation. The Act requires recommendations for rescission of budget authority to be made whenever it is determined that an amount will not be required to carry out the "full objectives and scope" of the appropriation and, hence, may be "saved." In addition, the President is required by the Impoundment Control Act (section 1012) to report rescission proposals in special messages whenever he determines: (1) that budget authority will not be required to carry out the full objectives and scope of programs for which it is provided; (2) that such authority should be rescinded for fiscal policy reasons or for other reasons; or (3) that funds available for only one fiscal year are to be reserved for the entire year. Unless both Houses of the Congress approve the proposed rescission within 45 calendar days of continuous session, the funds must be made available for obligation.
- Deferrals.--Reserves are also permitted to be established under the Antideficiency Act to provide for contingencies. The President must report such reserves to the Congress as deferrals. In addition, the Impoundment Control Act (section 1013) requires the reporting of deferrals by the President in special messages whenever the President, the Director of OMB, or any other officer or employee of the United States proposes to defer budget authority provided for a specific purpose of project. A deferral remains in effect unless either House of the Congress disapproves it.

Each rescission proposal and deferral reported in a special message is identified by amount and organizational entity. The justification and estimated effects for each proposal are supplied in reports that accompany each special message.

Rescissions Pending

Two rescissions are presently pending before the Congress: (1) \$47.5 million for the Department of the Interior's helium fund (R77-3); and (2) \$6.6 million in construction and planning funds for Corps of Engineers hopper dredges (R77-2). Both rescissions were proposed on September 22, 1976, under the Impoundment Control Act. The 45-day period for congressional consideration of these rescission proposals will not end until late in February. (The exact date depends on the congressional recess schedule for February.) As is noted above, the funds must be made available if, at the end of the full 45-day period, the Congress has not completed action on a rescission bill rescinding all or part of the amount proposed to be rescinded or that is to be reserved.

Deferrals in Effect

Of the 36 deferrals reported during fiscal year 1977, 35 are now in effect. (All funds reported for road construction, National Park Service (D77-18) were released pursuant to Administration action.) Four of the pending deferrals (totalling \$39.2 million) have section 1013 of the Impoundment Control Act as their only legal authority. That is, they were not made under the Antideficiency Act to provide for contingencies. They are as follows:

<u>Deferral</u>	<u>Budget Authority</u> <u>(\$ millions)</u>
Health, Education, and Welfare	
Special Institutions:	
Howard University (D77-35)	0.5
Justice	
Federal Prison System:	
Buildings and facilities (D77-21) .	1.9
State	
Administration of Foreign Affairs:	
Acquisition, operation, and	
maintenance of buildings abroad	
(D77-22)	14.2
Transportation	
Coast Guard:	
Acquisition, construction, and	
improvements (D77-23)	<u>22.6</u>
Total	39.2

In the area of rescissions and deferrals, the new Administration will probably want to review closely the above rescissions and the four "policy" deferrals. The remaining 31 deferrals (the related funds total approximately \$1,943.8 million) are either routine reserves for contingencies, or deferrals made pursuant to particular laws. They were implemented largely at the request of the concerned agency, and do not affect outlays.

Additional Rescissions and Deferrals Likely to be Proposed by January 20, 1977

Messages proposing additional rescissions and deferrals are likely to be transmitted by President Ford both in connection with the 1978 budget and earlier.

Technically, all pending rescissions and deferrals remain before the Congress unless withdrawn by the President. In the usual course of events, some deferred funds are released routinely. The proposed rescissions that are pending before the Congress when the Carter Administration takes office will,

under the 45-day rule referred to above, automatically be made available for obligation around mid-March (depending upon the congressional recess schedule) if no action is taken on them by the Congress. The new Administration may want to consider: (a) endorsing some or all of the proposals and encouraging congressional action to rescind the funds; or (b) withdrawing some or all of the proposed rescissions officially and releasing the funds. These actions should be taken in time to be reflected in the February 15 transmittal.

G

December 10, 1976

Tab G

CHANGING BASIC LEGISLATION

The Carter Administration may want to use a revised budget as a vehicle to withdraw legislative proposals of the Ford Administration, propose changes to existing legislation, or -- possibly -- propose new legislation.

To withdraw legislative proposals of the Ford Administration, it is necessary only to exclude them from revised estimates transmitted to the Congress. Presidential support for the proposals is thereby removed.

To propose amending existing legislation, to propose new legislation, or to amend proposals previously transmitted to the Congress it is generally desirable to have the legislative proposals or amendments thereto prepared by the time estimates are released, or shortly thereafter. There would be no major difficulty, however, with including an estimate of the effects of a legislative change in the revised estimates and then following the revision later with a specific proposal.

Under section 607 of the Congressional Budget Act, proposed legislation authorizing the enactment of new budget authority is required to be submitted to the Congress not later than May 15 of the year preceding the year in which such fiscal year begins. Thus, technically, proposed changes to existing legislation for fiscal year 1978 should have been submitted by May 15, 1976, and proposed new legislation for fiscal year 1979 should be submitted not later than May 15, 1977. As a practical matter as it relates to the Carter Administration, this means that any proposed new legislation for fiscal year 1978 should be submitted before May 15, 1977, the date by which the congressional legislative committees must report such bills (see Tab A) for consideration by the Congress, and proposed changes to existing legislation for fiscal year 1979 are due not later than May 15, 1977. However, section 607 does not prevent the President from submitting legislative initiatives for either year at later dates.

H

December 10, 1976

Tab H

POSSIBLE SCHEDULE FOR PREPARATION
OF THE CARTER ADMINISTRATION BUDGET

Development of recommendations by Transition
Teams..... Assumed to be in
process

Study by Carter appointees to an agency of
the agency, its recent past budgets, and its
fiscal year 1978 current services estimates.. From date of
appointment

Study of Ford budget by OMB Director and
other Carter appointees, with focus on
restraint proposals and initiatives..... Beginning
January 15

Cabinet (and major agency) meeting to receive
Presidential guidance on budget..... January 21

OMB instructions to agencies providing policy
guidelines and reporting instructions for
changes in Ford budget..... January 21

Agency reports due into OMB..... January 27

OMB Director reviews agency reports in
context of Ford budget and its restraint
proposals and initiatives..... January 27-
February 2

OMB Director recommends to President:

- those items in Ford budget that
should be supported;
- those items that should be adjusted
(up or down) to current services
levels; and
- other changes in Ford budget..... February 3

President makes tentative decisions..... February 7

President discusses tentative decisions with
OMB Director and agency heads..... February 7-8

President makes final decisions..... February 9

OMB:

Submits draft budget message to President.....	February 9
Prepares revision of budget.....	February 9-11
Submits galley of revised budget to GPO for conversion to page proof.....	February 11
Obtains President's approval, corrects final page proof, and signs off "OK to print".....	February 13
President transmits revised budget to the Congress.....	February 15
Agencies submit detailed supporting information to OMB <u>consistent with revised budget decisions.</u> (Changes from Ford budget to <u>reflect only</u> President's decisions on programs and economic policy; technical reestimates to be held to a minimum).....	February 15- March 1
Agencies prepare and submit to OMB formal budget amendments and withdrawals of deferrals and proposed rescissions or new deferrals and proposed rescissions <u>consistent with revised budget decisions</u> , as necessary, and as soon as possible.....	February 15-25
OMB reviews and processes agency submissions of supporting information. Provides detailed backup information to the Congress*.....	March 15
OMB reviews and processes formal budget amendments and withdrawals of deferrals and proposed rescissions. Forwards to the President by.....	March 10
President transmits to the Congress his formal budget amendments and withdrawals of deferrals and proposed rescissions by.....	March 15

* This information and the February 15 budget will meet (or can be made to meet) legal requirement for the April 10 update of the budget. April 10 is too late to be useful to the Congress for the First Concurrent Resolution.